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The Family Effect on Family Business Performance[1]

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Abstract: The purpose of this study is to analyze the concept of family effect on family business performance through F-PEC scale. This is a well-known scale by its validity and reliability measured through power, experience and culture dimensions of family businesses. In accordance with the research conducted over 349 family businesses all around Turkey and the structural equation model used to analyze the relationship between family effect and business performance, a statistically significant positive relationship was found between family effect and business performance. Hence, it was concluded that there is a strong relationship between the family effect and the family business performance.

Keywords: Family business, F-PEC scale, Power, Experience, Culture

1.Introduction

In the family business literature, the question considering how might any family, owning and managing the business, effect its business performance has been widely analyzed by several researches or authors. In order to answer these question researchers have mostly compared family business performance with non-family businesses. However, the results of such studies are various and conflicting (Schulze, Lubatkin&Dino, 2003; Dyer, 2006:253).

According to Shanker and Astrachan, businesses where family influence is felt most heavily are the businesses in which at least one family member is in a managerial position, more than one generation is working together, and where they have business ownership. At this point, what matters is the extent of the family's involvement in the business and the extent of its effects on the business, rather than whether the business is a family business. These dimensions, which are separated as power, experience and culture, help to measure the level of family influence between enterprises (Astrachan et

[1]This study is derived from the phd study of “The analysis of the concepts of family effect and organizational ambidexterity on business performance in family businesses (2018).”

al., 2005). Therefore, in order to reveal the concept of family influence more clearly, it is important to evaluate the F-PEC scale with all its dimensions.

In a group of study under the same topic, it is stated that the family dimension appears as a factor of weakness, especially because family businesses tend to fail during the transition period of different generations. As it is known that only 30% of family businesses are successfully transferred to the second generation. The family effect is stated as a source of conflict and disorganization (Donnelley, 2006) because of the lack of professionalism and nepotism (Dyer, 1989). On the other hand, Westhead and Howorth (2007) underlines the greater longevity of family businesses other than non-family businesses, due to the commitments of the family in the long term and their strong sense of loyalty to their family and the business. Additionally, some research findings underline that family businesses have higher levels of financial performance than the non-family businesses (Anderson & Reeb, 2003). This situation is explained by more effective management depending on family ties, principles and values, reduced agency costs, the general long-term orientation of family ownership and lower debt levels due to the risk aversion of family members (Alves&Gama, 2019:164).

As a result, the purpose of this article is to clarify all those conflicting findings in the literature by analyzing the “family effect” on firm performance, using the F-PEC scale developed by Klein, Astrachan and Symyrnios (2005).

2.Literature Review

2.1. Conceptual Framework of Family Effect

As it is basically known, the main feature that distinguishes family businesses from non-family businesses is the concept of family effect. Accordingly, the aim of this study is to clarify how the family effect occurs and how it affects family business performance. For this reason, the "Power, Experience and Culture Scale" (F-PEC), was used in the literature as it is the case in this study to measure the family effect on family business performance. In this scale the family effect is structured on 3 basic dimensions: Power, Experience and Culture.

There is no doubt that Donnelley's article namely, "The Family Business" published in Harvard Business Review in 1964 stands out as a turning point in the literature. In this first study, issues such as the effect of family members on the business in general, the effects on the determinants of business success, the formation of the board of directors and the succession planning are discussed. Therefore, Donnelley's definition of a family business, based on the family effect in that time period is crucially important for us. According to this definition, "for a business to be considered as a family business, there must be at least two generations and their mutual effects on the business policy, interests and objectives" (Harms, 2014, p:284).

2.1.1 F-Power Dimension

In the power dimension, family members enact their influence through involvement in the ownership, the governance and the management of FBs. Their influence through ownership is exercised by their participation in the company capital, and their influence through governance and management is evaluated by the representativeness of the family on the governance and management boards. According to Astrachan et al. (2002), family members may have different levels of involvement due to the number of shares/quotas they own, or the seats held on the management board. Across this dimension, agency theory and stewardship theory may help in grasping the (positive or negative) influence that the family maintains over the company, especially in terms of its performance (Alves&Gama, 2019:166)

The influence of the family on the business manifests itself at the point of ownership, control or management. However, while making any measurement, it is necessary not only to take these factors into consideration, but also to take into account the legal, political and economic factors that vary according to each country. For example, the board structures of businesses differ from country to country. While the boards of directors in the United States consist of a single board, in Germany, Switzerland and the Netherlands they consist of two-level boards. At this point, the power dimension within the Family Power Experience and Culture Scale (F-PEC) is concerned with what percentage of each board consists of family members and what percentage of the appointed members are appointed by family members (Astrachan et al., 2005:48).

If we want to calculate the family influence in management and control, the ratio of representation in the board of directors should be taken into account. For example, if two of the five members of the board of directors are family members, two of them are elected or appointed by family members to represent family members, and one member is a shareholder but totally outside of the family, the family effect on management is 44%. The influence of the family is 40% since the five members of the board of directors are family members, and indirectly 4% because the other two members are appointed or elected by the family. The share of individuals who are not family members is calculated by considering 10% of the effect of family members on the business (Astrachan et al., 2005:49).

2.1.2 F-Experience Dimension

This section includes the dimension of experience in family businesses, shaped by the number of family members who contribute to the business. According to many researchers and authors interested in family businesses (for example, Barach & Ganitsky, 1995; Birley, 1986; Heck et al., 1999; Ward, 1987), in order for any business to be considered as a family business, there must be an intention to transfer the business to the next generation. According to some researchers (Daily and Thampson, 1994), at least the transfer of the business from the founder to the next generation should have been occurred. According to others, the businesses under the management and control of the founder are also considered as family businesses (Astrachan et al., 2005:49).

The “Experience” dimension considers which generation or generations of the family owned the business, which of them manage the business and how many members of the family are interested or not interested in the business. For example, some studies in family businesses think that each new generation firstly learns the stereotypes of previous generations and then updates the stereotyped practices in the business according to the changing environmental conditions. This situation increases and is updated with each new generation.

It is argued that the level of experience gained during the transition from the first generation to the second generation is at the highest level compared to the transition periods between the other generations. While in the possession of the first generation, many new rituals are already being adapted to the business. These gains decrease relatively in the second and subsequent generations (Astrachan et al., 2005:49).

The presence of family members who are connected to the business contributes to the experience dimension. For example, the wife of the CEO of a family business greatly affects the business. As Posa and Messer (2001) indicated that CEO spouses play a key role in family businesses (Astrachan, et al., 2005:49).

The experience subscale is related to the transfer of authority to the next generation and the number of family members influencing the business. According to some researchers (e.g. Barach & Ganitsky, 1995; Birley, 1986; Heck & Scannell, Trent, 1999; Ward, 1988) businesses that act with the intention of transferring management to the next generation can be considered as family businesses. According to many other authors (Daily and Thompson, 1994), in order for a business to be considered a family business, it must have gone through at least one generation transfer process. According to some other researchers, businesses where the founder is in charge can be called family businesses with a special situation. Despite all these different approaches, the common approach of all of them is that each transfer process provides a very valuable experience and experience to both the family and the business.

This dimension incorporates the ways in which the family influence stems from the experience and knowledge built up over the course of the successive generations involved in the business (Klein, Astrachan, & Smyrnios, 2005). According to Astrachan et al. (2002), family businesses that survive through to the succession of the following generation obtain “gains” in terms of the accumulated experience. These authors maintain that the succession experience curve generates the greatest growth (gains) in the transition from the first to the second generation, with a weakening in the effects for subsequent generations. In addition to the generation(s) involved, the number of family members actively participating in the company represents an important indicator of the experience accumulated through incorporating family members (Alves&Gama, 2019:166).

2.1.3 F-Culture Dimension

If we consider the concept of culture, it is at the root of the family businesses (Klein et al., 2005). The "culture" dimension includes similarities in value judgments in family and business, spiritual aspects such as pride, harmony, and commitment. The spiritual issues occur within the family and spread to the business over time. The values of important personalities within the business manifest themselves in the communication style of the business, in their approaches to the way of conflict resolution, or in the transformation of the business from a decentralized structure to a centralized structure. In this respect, F-PEC scale reveals through the founder, CEO and managers of the business to what extent the values of the family match with the values of the business and how strong the bonds between the business and the family are.

The F-PEC scale provided a solid foundation and a new thematic model in order to define a common family business definition. According to Chrisman, Chua, and Sharma (2003), without a theory, family businesses cannot manage their businesses in a healthier way, nor can people who do research on the subject be guided, nor can training programs on this subject be organized. A theory that concerns family businesses should reveal the factors that make family businesses different, determine how these differences occur, and reveal how and under which conditions these features offer competitive advantage. The point revealed by the F-PEC scale is that it measures the family's effect on the business, unlike non-family businesses as the family has a serious resource and accumulation through power, experience and culture dimensions. The combination of these three dimensions unleashes an important functional resource of knowledge and talent. This resource is naturally one of the most important factors affecting business performance.

As Gallo et al. (2000) stated, business culture is the most important element of the family businesses. According to Gallo, a business is a family business only if the business and family share common assumptions and values. Another group of researchers define the family business according to the point of view of the company's CEOs, managers or owners. For example, if business owners or managers define the business as a family business, they are more sensitive to the opinions of family members and the issues that concern them, and they are more sensitive to meeting their needs. On the other hand, it takes time for the values of a business to form and settle. According to Klein, the key element that constitutes an important part of the business culture is the founder of the business or the person who has taken an active role in the management of the business for at least ten years. In his famous book, Organizational Culture and Leadership, Schein underlines the link between the culture and the leadership. According to Schein, the most important task of the leader is to shape the business culture (Schein, 2006). This situation manifests itself in different ways, from the management of the business in a centralized or decentralized structure to the way of conflict management (Astrachan et al., 2005:50).

According to Gersick et al. (1997), business culture may persist over a long period of time with few changes whenever there are norms in place for transferring its essence, as in the case of family businesses. Since the family represents one of the most reliable social structures for conveying cultural values and practices down through generations (Alves&Gama, 2019:167).

2.2. Family Firm performance

The concept of business performance is so significant that it affects the behavior of the stakeholders, such as shareholders, managers and customers, employees, as well as investors outside the business, and the whole society (Kaplan & Norton, 1996). While internal stakeholders direct their practices and objectives according to the business performance, external stakeholders take their decisions according to the business performance. They take into consideration whether it is worth to make investment and lending, whether to use the products of the business in question, or to continue its relations with the business (Karabag, 2008). In order for a business to be worth investing, it is very important that the profitability of the business is high, its financial structure is strong and it does not have any problem in liquidity. In this respect, the basic research question regarding family businesses depends on whether family business performance is better than non-family business as a result of their specific characteristics.

In some of the research studies, it has been emphasized that family businesses exhibit superior performance compared to non-family businesses (Mc Conaughy et al., 2001). Anderson and Reeb also noted that family businesses outperformed nonfamily businesses in the S&P 500, underlying that "family firms are significantly better performers than nonfamily firms" (Anderson and Reeb, 2003, p. 1324). On the other hand, the number of studies defending the opposite is quite high (Lansberg et al., 1998; Daily and Dolinger, 1992; Gomez; -Meija et al., 2001; Schulze et al., 2001; Anderson and Reeb, 2003; Schulze et al., 2003; Gibb Dyer, 2006). In these studies, the lack of a professional management approach in family businesses, ignorance of the rights of other stakeholders of the business, or the concept of nepotism have been emphasized. On the other hand, Sciascia and Mazzol (2008) or Minichilli et al. (2010) emphasized that there is an inverted U-shaped nonlinear relationship between the ratio of family members in senior management positions and business performance. In both studies, it is stated that the presence of family members in the senior management staff, excluding the presence of the family member CEO, ultimately affects the business performance negatively. However, Villalonga and Amit (2006) underline that there is a negative relationship between the family member CEO and business performance during the succession periods and they also underline the positive family effect is limited to the businesses where the founder is the CEO.

Similarly, Adams et al. (2008) and Fahlenbrach (2009) also emphasize the positive impact of the founding CEO on business performance in their studies. They indicate that whenever the level of family management increases in accordance with the level of family ownership, the nonfinancial goals are likely to be aligned with the interests of both owners and managers, By the way the largest shareholder may become entrenched and better able to extract value, which may consequently harm not only firm performance, but also the economy in a broader sense (Memili and Misra, 2013:202).

2.3. Literature Review Regarding the Studies on Family Effect and Family Firm Performance

The concept of family effect which means the effects of the family that owns and manages the business on the performance of the business have been the subject of many studies till now. In most of these studies, the way the subject is handled is to compare the performance of family businesses and the nonfamily business, the ones that do not have any family ties (Lansberg et al., 1998; Daily and Dolinger, 1992; Gomez-Meija et al., 2001; Mc Conaughy et al., 2001; Schulze. et al., 2001; Anderson and Reeb, 2003; Schulze et al., 2003; Gibb Dyer, 2006). However, the findings of all those studies differ in a way.

When the recent family business literature is examined, it is possible to reach many different publications specific to this field. One of the most cited studies among these studies is the one that based on the analysis of 25 most influential articles on family businesses in 2010 by Chrismas et all. Another important study is Henrik Harms' study based on the analysis of 267 different articles on the analysis of the concept of family businesses in 2014.

Faccio, Lang, and Young (2001) has also mentioned that family businesses are relatively poor performers due to conflicts arised within the family business. Therefore, the ones who consider any family business as an inefficient organization claim that the best alternative for any family business is to replace family members in the firm’s leadership positions with professional non-family managers who can perform with better skills and objectivity (Dyer, 2006:253).

In contrast to previous studies comparing the financial performance of family and nonfamily businesses, Dyer (2006) claims that those studies fail to clearly differentiate the “family effect” from other variables that may affect family firm performance. Based on agency theory and the resource-based view, Dyer tries to isolate the unique attributes a family brings to the business that may affect its performance (Neubaum and Voordeckers, 2018:238).

Chen, Gray, and Nowland (2011) stated in their study that there is a negative relationship between family member managers and business performance, but there is no relationship between ownership, family member board chairmanship and family member CEO position and business performance. In the following parts of the study, it was emphasized that this negative relationship increased further with the increase in the number of generations involved in the business and the number of representatives in the board of directors.

Most of the studies conducted in the literature has searched whether the family effect in the businesses is positive or negative. Actually there are various confusing results. Especially in financial and economic research studies, contradictory results are observed when family businesses are compared with other businesses regarding profitability and company valuation. For example, it is observed that family businesses where the founder is in charge stand out in profitability, while the situation in family businesses transferred to the next generation is both positive and negative (Anderson & Reeb, 2003; Barontini & Caprio, 2006; Villalonga & Amit, 2006; Perl, 2014). The reasons for the various results reached were explained by different factors such as differences in control mechanisms (Villalonga & Amit, 2009), board composition (Anderson & Reeb, 2004), corporate transparency (Anderson & Reeb, 2004; Perl, 2014).

According to the research conducted in line with the data obtained from 1000 family businesses in 20 countries with the cooperation of Kennesaw State University and Ernst & Young (EY) (2017) under the leadership of Astrachan, the success of the largest family businesses in America is based on the axis of harmony and profitability. According to the research, the largest family businesses are family businesses that try to grow their businesses while trying to strengthen their families. It has been observed that making concessions from the family for the success of the business by ignoring the family influence, or on the contrary, compromising the business for the welfare and happiness of the family causes much bigger problems in the long run.

When the literature on the ownership part of the three circle diagram is examined, one of the most cited studies is the work of Anderson and Reeb (2003). In their study examining the relationship between ownership and business performance in family businesses in the United States within the S&P 500, they state that there is a positive relationship between ownership and business performance. However, as the ownership rate of the family increases over 30%, they emphasized that it started to exhibit a negative course with the rise above it.

It is also indicated in the literature that active control of the family reduces the agency costs between the shareholders and the managers (Fama & Jensen, 1983). However, the conflicts of interest between the majority family shareholders and minority shareholders increase when the business is under strict control of the family (Shleifer & Vishny, 1997). Although the control of the family increases the profitability of the business, it does not reflect positively on the value of the business in an environment where there is no corporate transparency and the rights of the minority shareholders' rights are not protected. As Anderson and Reeb (2003) emphasized in their study, family control can only increase the value of a business in a well-regulated economy. Otherwise, there is a risk that the rights of other stakeholders holding minority shares will be abused in a family business that is under strict family control and does not have any transparent management approach.

Schulze, Lubatkin, Dino, Buchholtz (2001), Gomez-Mejia, Nunez-Nickel et al. (2001) revealed in their empirical studies that altruism affects negatively business performance negatively. Schulze et al. (2001), in their studies including 1376 family businesses, concluded that in any family business where altruism is balanced and the corporate governance mechanisms are well settled, the business performance of family businesses are much higher than the others. Similarly, Gomez-Mejia, Nunez-Nickel et al. (2001), in their work on Spanish family businesses found that the change in business performance following the dismissal of a family member CEO is much greater than the change in business performance after the dismissal of a non-family CEO. In this study they also explained the reason of such a finding as a family member CEO cannot be controlled effectively, the dismissal process takes a long time and this period causes serious losses (Dyer, 2006:261).

On the other hand, Claessens et al. (2002) and Maury (2006) evaluated the relationship between ownership rights, additional control power and business performance on a sample of family businesses that are publicly offered in Europe and Asia, and they found that there is a positive positive relationship between ownership rights and business performance. They also found that there is a negative relationship between additional control authority and business performance. The conclusion that can be drawn from all these studies is that if a business is owned by the family, the interests of the family can be equated with the interests of all other stakeholders; but it is important to keep in mind that this is possible up only up to a certain point (Chen et al., 2011). Therefore, if the interests and priorities of the family begin to override the interests and priorities of other stakeholders, it is inevitable that the business performance will be negatively affected because of the deterioration of the balance within the business, the increase of displeasure and the emergence of conflict.

Nevertheless, it should be underlined that the above-mentioned results are achieved through researches on publicly listed companies. Such a linear or non-linear relationship could not be found in studies conducted on non-publicly listed businesses in England, America and Italy through the survey (Westhead & Howorth, 2006; Castillo & Wakefield, 2006; Sciascia & Mazzola, 2008). However, although there is no similar study conducted for other types of businesses, it can be expected that business performance will be negatively affected in any family business where corporate governance mechanisms are not well settled and the above-mentioned injustices are experienced.

One another point emphasized in the same study is that considering firm performance in family businesses only through its one of its dimensions may lead to misleading results. In fact, there are many options that can be a performance indicator in family businesses. Objectives related to ensuring business continuity and maintaining the family influence often take precedence over more traditional goals such as profitability and market leadership (Harris et al., 1994). Criteria related to family goals and social measures can become as important as financial measures. Those non-economic goals, paradoxically, can also increase economic performance (Chrisman et al., 2003). Objectives that are thought to contain opposites at first glance, such as economic and non-economic goals, family goals, and classical business goals, can increase organizational efficiency by creating synergistic interactions (Chrisman et al., 2003). Therefore, it is a more realistic approach to handle business performance in family businesses in an integrity, taking into account social, financial and family goals criteria altogether (Athanassiou et al., 2002; cited in Kalkan, 2006).

On the other hand, Perrow (1972) shared the findings of his research that business performance was negatively affected by the factors such as being a family member or being close to the family, regardless of performance and merit, are taken into account in senior positions as a result of nepotism in family businesses. In accordance with this finding, Faccio, Lang, and Young (2001), in their study, arguing that conflicts within the family with regard to business management pull down the business performance, and refer to the necessity for family businesses to delegate top management to professionals (Gibb Dyer, 2006:253).

According to Morck et al. (1988), the presence of family members in senior management positions in young family businesses under the management of the founder increases the value of the business together with the entrepreneurial spirit they bring to the business. Moreover, in the later years of the business, the process starts to run in the opposite direction with the successors taking over. Theoretical models in studies that deal with the process of transfer in family businesses are based on the assumption that professional managers perform more successfully than the heirs. The main reason for this situation is that for a professional manager who can be selected from among family members, the human resource pool is limited to family members. However, if a professional manager is chosen, there is a risk that business interests and priorities may not match as it is the case for the heirs (Bhattacharya & Ravikumar, 2002; Burkart et al., 2003; Maury, 2006).

Finally, in the studies of Anderson, Jack and Dod (2005) in which quantitative and qualitative approaches are used together, even if the family members work in different businesses, the contribution of the resources arising from the ties to the business was examined. It is an undeniable fact that family businesses' unique social networks and social capital resulting from family ties provide the business with competitive advantage in every field and thus positively affect the business performance as well.

3. The Analysis of Family Effect on Family Firm Performance by Structural Equation Model

3.1. Research Method

In this study, a face-to-face interview technique was applied to the top-managers of family businesses, by using simple random sampling method between September 2017 and March 2018. As a result of the questionnaire, 349 samples were obtained.

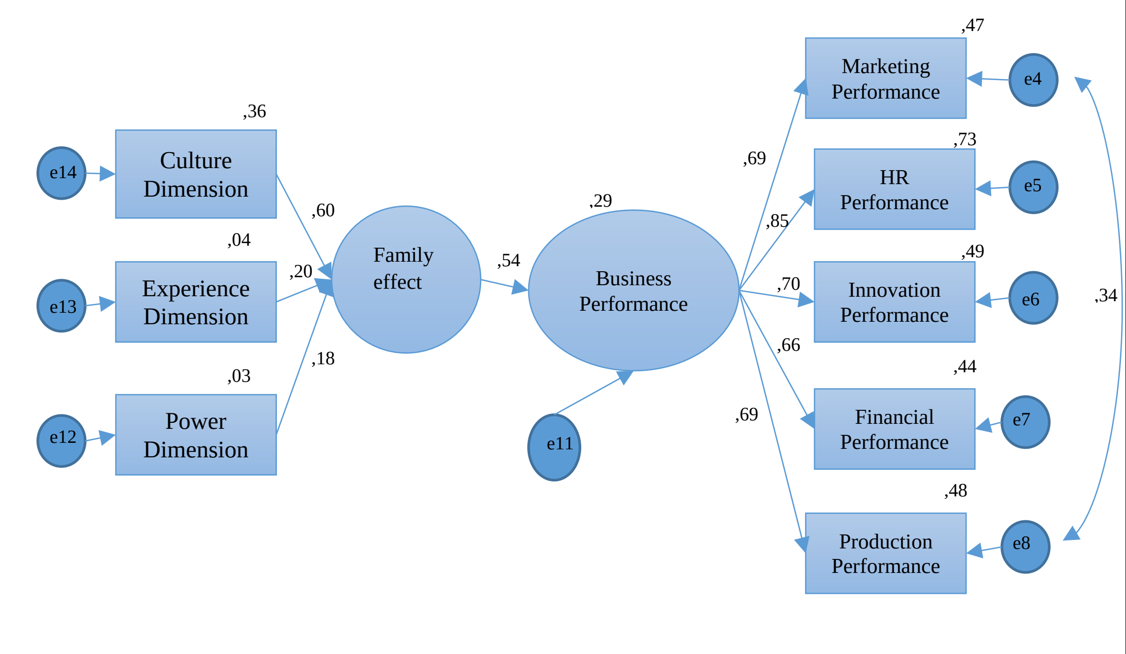
More sophisticated techniques are required to analyze a model made up of other variables known as latent, size, and structure variables than the regression technique used when variables are continuous and measurable. One of the most effective techniques used to combine latent or structured variables is the structural equation model (Randhawa & Ahuja, 2017). Structural equation modeling is a multivariate method that can be analyzed depending on a specific theory and defines the relationship between latent variables and causality as a model (Karagoz, 2017). SEM model provides us a framework for a general and useful statistical analysis that considers many traditional and multivariate analysis methods such as factor analysis, regression analysis, discriminant analysis and canonical carousel in special cases. The structural equation model is usually visualized with a graphical path diagram. As a statistical model, a group of matrix equations is usually represented (Hox & Bechger, 1998). Structural equation model has the power to produce complementary effects that are the final sum of linear and nonlinear effects, rather than multiple linear regressions that reveal only linear effects (Randhawa & Ahuja, 2017).

3.2. Findings

First of all, the demographic characteristics of the family businesses that participated in the survey were examined. The oldest family business attended our questionnaire was established in 1924, and the youngest family business was established in 2018. While 82% of the participants are men, 18% are women. It is observed that there are few female managers in family companies. 58% of the participants stated that they operate as a limited company and 36% as a joint stock company. When the findings are evaluated in terms of the generations that manage the company, 44.4% of the participants state that they are the first generation, 19.5% of them is the second generation, and 20.6% of them are the first and second generation that manage the family business.

Then, a multiple normality analysis was conducted in the study. In order to evaluate the multivariability normality structure, the Mardia coefficient multiple normality test was conducted. In the study, it was observed that the critical ratios of Mardia skewness and kurtosis values were outside the range of ± 1.96. Therefore, multiple normality could not be achieved. For this reason, asymptotically distribution-free estimation method, which does not require normality assumption and developed by Browne (1982), was used as the analysis method in the study (for detailed information see: Gozen, 2018).

As a result of the structural equation model established to examine the relationship between family effect and business performance, a statistically significant positive relationship was found between family influence and business performance ($\beta = 0,54$; $p<0,05$). This relationship shows that one-unit increase in family effect will result in an increase of 0.54 units in business performance. The coefficient of determination for the relationship between Family Effect and business performance is found to be 0.29, and this value indicates that 29% of the variability in business performance is explained by the family effect.



Model 1: Business Performance=0,54*Family_Effect + ϵ_2

Figure 1. Structural Equation Model Examining the Relationship Between Family Effect and Business Performance

When the model is examined on the basis of latent variables; It was determined that there was a strong and statistically significant relationship between family effect and its sub dimensions of family effect like culture ($\beta = 0.60$; $p < 0.05$), experience ($\beta = 0.20$; $p < 0.05$) and power ($\beta = 0.18$, $p < 0.05$). However, when we examined business performance and it sub-dimensions like marketing performance ($\beta = 0.69$; $p < 0.05$), HR performance (= 0.85; $p < 0.05$), innovation performance ($\beta = 0.70$; p <0, 05), production performance (β= 0,69; p<0,05), and financial performance ($\beta = 0.66$; $p < 0.05$) it was determined that there was a positive, very strong and statistically significant relationship between them.

When the harmony values of the model were examined, X2 / df (1.277 <3), CFI (0.993> 0.90), GFI (0.984> 0.90), RMSEA (0.028 <0.08) values were obtained, and these values indicated that the scale was verified, in other words, the observed variables adequately explain the latent variable they represent.

Chart 1. Structural Equation Model of Family Effect-Business Performance

			β	S.E.	t	P	Standardize β	R^2
Family Performance	<---	Family Effect	1,153	0,503	2,291	0,022	0,540	0,292
P1	<---	Business Performance	1,000				0,689	0,474
P3	<---	Business Performance	1,572	0,123	12,780	***	0,853	0,728
P4	<---	Business Performance	1,597	0,141	11,346	***	0,702	0,493
P5	<---	Business Performance	0,971	0,090	10,818	***	0,665	0,442
P2	<---	Business Performance	0,986	0,070	14,118	***	0,694	0,481
Power	<---	Family Effect	0,093	0,052	1,784	0,074	0,184	0,034
Experience	<---	Family Effect	1,000				0,203	0,041
Culture	<---	Family Effect	5,697	2,705	2,106	0,035	0,602	0,362
X^2/sd=1,277; CFI=0,993; GFI=0,984; RMSEA=0,028 *** It states that the variables are statistically significant at the 0.001 level.								

4. Conclusions

As it is well known, family businesses are very complex structures compared to non-family businesses. Two separate systems, namely the family system and the business system, are intertwined as family members live and work together, so that they have a long history of complex relationships. That is why it is difficult to consider the concept of business performance independent from the family effect in family businesses.

As it is mentioned in the literature part, the sources of family effect on business performance varies. Moreover, if these problems cannot be overcome till the process of transferring family businesses to the next generation (succession period), they may turn into a much bigger problem for the next generation. Therefore, it is important to concentrate on the concept of family effect and to analyses the concept through various perspectives. For instance, family effect on family businesses cannot only be perceived from positive (e.g., stewardship theory) or negative perspectives (e.g., agency theory). It is suggested that this study would be deepened by considering the different approaches like agency cost theory, stewardship perspective or resource based view.

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